
Introduced by Senator Ashburn

February 22, 2005

An act to relating to hybrid retirement programs.

LEGISLATIVE COUNSEL'S DIGEST

SB 888, as introduced, Ashburn. Public employees' retirement: hybrid retirement programs.

Existing law creates public retirement systems that provide defined benefits. Existing law provides for the contribution of money prior to the calculation of taxes to tax-deferred savings accounts.

This bill would state the intent of the Legislature to create a hybrid retirement program, as specified, that contains a defined benefit plan funded by employer contributions and a defined contribution plan funded by employee contributions.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. It is the intent of the Legislature to enact
- 2 legislation that creates a hybrid retirement program for public
- 3 employees that has the following characteristics:
- 4 (a) The hybrid retirement program has a defined benefit plan
- 5 funded by employer contributions and a defined contribution
- 6 plan for employee contributions.
- 7 (1) Except as provided below, the employer will contribute for
- 8 each employee 6 percent of gross compensation and the
- 9 employee will contribute 6 percent. The employee will be
- 10 permitted to make additional tax-free contributions up to the
- 11 limits of federal law.

1 (2) The employer will contribute for each peace officer and
2 firefighter employee 9 percent of gross compensation and the
3 peace officer and firefighter employee will contribute 5 percent.
4 The peace officer and firefighter employee will be permitted to
5 make additional tax-free contributions up to the limits of federal
6 law.

7 (b) Employer contributions would vest with the employee after
8 60 months of employment. Employee contributions would vest
9 and be available for loan. Subject to federal regulation, the
10 accounts would be transferable.

11 (c) Professional investment advisors would offer
12 administration of the employee accounts and a variety of
13 investment vehicles from which the employee may choose.

14 (d) Employee defined contribution accounts would pass to a
15 beneficiary designated by the member.

16 (e) Employees participating in the hybrid retirement program
17 would be eligible for supplemental tax-deferred savings plans.